

minor rule violation plan, therefore, should not be interpreted to mean that it is not an important rule. On the contrary, the Commission recognizes that the inclusion of minor violations of particular rules under a minor rule violation plan may make the exchange's disciplinary system more efficient in prosecuting more egregious and/or repeated violations of these rules, thereby furthering its mandates to protect investors and the public interest.

The Commission believes that adding the provisions listed above to the Exchange's MRP is consistent with Sections 6(b)(5) and 6(b)(6) in that the purpose of the Exchange's MRP is to provide for a response to a violation of Exchange rules when a meaningful sanction is needed, but when initiation of a disciplinary proceeding pursuant to Exchange Rule 10.3⁷ is not suitable because such a proceeding would be more costly and time-consuming than would be warranted given the nature of the violation. Rule 10.13 provides for an appropriate response to minor violations of certain Exchange rules while preserving the due process rights of the party accused through specified required procedures.⁸

Moreover, the Commission finds that violations of the provision being added are objective and technical in nature, and easily verifiable, thereby lending themselves to the use of expedited proceedings. Noncompliance with the provisions may be determined objectively and adjudicated quickly without the complicated factual and interpretive inquiries associated with more sophisticated Exchange disciplinary proceedings. If, however, the Exchange determines that a violation of one of these rules is not minor in nature, the Exchange retains the discretion to initiate full disciplinary proceedings in accordance with Exchange Rule 10.3. The Commission expects the PSE to bring full disciplinary proceedings in appropriate cases (*e.g.*, in cases where the violation is egregious or where there is a history or pattern of repeated violations).

Finally, the Commission finds that the imposition of the recommended fines for violations of the ITS rules and regulations should result in appropriate discipline of members, in a manner that

is proportionate to the nature of such violations.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,⁹ that the proposed rule change (SR-PSE-95-16) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21703 Filed 8-31-95; 8:45 am]

BILLING CODE 8010-01-M

[Rel. No. IC-21321; File No. 812-9614]

Glenbrook Life and Annuity Company, et al.

August 25, 1995.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application for an order under the Investment Company Act of 1940 ("1940 Act").

APPLICANTS: Glenbrook Life and Annuity Company ("Company"); Glenbrook Life and Annuity Company Variable Annuity Account ("Variable Account"); and Allstate Life Financial Services, Inc. ("ALFS").

RELEVANT 1940 ACT SECTIONS: Order requested under Section 6(c) of the 1940 Act granting exemptions from the provisions of Sections 26(a)(2)(C) and 27(c)(2) thereof.

SUMMARY OF APPLICATION: Applicants seek an order permitting the deduction of a mortality and expense risk charge imposed under certain variable annuity contracts ("Contracts") and any other variable annuity contracts that the Company may issue that are substantially similar in all material respects to the Contracts ("Materially Similar Contracts"), from the assets of the Variable Account or any other separate account established in the future by the Company in connection with the offering of Materially Similar Contracts. Applicants also request that the exemptions apply to registered broker-dealers other than ALFS, in the event of change in the identity of the principal underwriter for the relevant contracts.

FILING DATES: The application was filed on May 22, 1995.

HEARING AND NOTICE OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and

serving Applicants with a copy of the request, personally or by mail. However requests should be received by the Commission by 5:30 p.m., on September 19, 1995, and should be accompanied by proof of service on Applicants in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

ADDRESSES: Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Applicants, c/o Michael J. Velotta, Vice President, Secretary and General Counsel, Glenbrook Life and Annuity Company, 3100 Sanders Road, J5B, Northbrook, Illinois 60062.

FOR FURTHER INFORMATION CONTACT: Joyce Merrick Pickholz, Senior Counsel, or Wendy Finck Friedlander, Deputy Chief, Office of Insurance Products, Division of Investment Management, at (202) 942-0670.

SUPPLEMENTARY INFORMATION: Following is a summary of the application. The complete application is available for a fee from the Commission's Public Reference Branch.

Applicants' Representations

1. The Company, a stock life insurance company incorporated under Illinois law, is a wholly owned subsidiary of Allstate Life Insurance Company ("Allstate Life"). Allstate Life is a wholly owned subsidiary of Allstate Insurance Company which is an indirect subsidiary of Sears, Roebuck and Co.

2. On December 15, 1992, the Company established the Variable Account as a segregated investment account to fund variable annuity contracts to be issued by the Company. The Variable Account is registered as a unit investment trust under the 1940 Act.

3. ALFS, a wholly owned subsidiary of Allstate Life, is the principal underwriter for the Contracts. It is registered as a broker-dealer under the Securities Exchange Act of 1934, and is a member of the National Association of Securities Dealers, Inc.

4. Purchase payments under the Contracts may be allocated, according to a Contractowner's instructions, to one or more of the Sub-Accounts of the Variable Account (or to one of the fixed accumulation options under the Contracts). The initial purchase payment must be at least \$3,000 (\$2,000 for qualified contracts). Subsequent purchase payments must be \$50 or more. Each Sub-Account will invest

⁷ PSE Rule 10.3 governs the initiation of disciplinary proceedings by the Exchange for violations within the disciplinary jurisdiction of the Exchange.

⁸ The MRP permits any person to contest the Exchange's imposition of the fine through submission of a written answer, at which time the matter will become a formal disciplinary action.

⁹ 15 U.S.C. 78s(b)(2) (1988).

¹⁰ 17 CFR 200.30-3(a)(12) (1994).

solely in shares of a registered open-end management investment company (or series thereof).

5. If the Contractowner (Annuitant, if the Contractowner is not a natural person) dies before annuity payments begin, a death benefit is payable under the Contracts. The death benefit is based on the largest of the following amounts: the Contract value on the date the Company receives a proper request for payment, and the Contract values on the issue date and every seventh anniversary of that date, plus purchase payments and less withdrawals subsequent to such anniversary. The death benefit will never be less than the total purchase payments made, less withdrawals.

6. The Company will deduct a Contract Maintenance Charge of \$30.00 per year from each Contractowner's Contract value to reimburse the Company for its costs in maintaining the Contract and the Variable Account. This charge is waived if the total purchase payments are \$25,000 or more or if the entire Contract value is allocated to the fixed options under the Contract. The Company does not expect to realize a profit from this charge. The amount of the charge is guaranteed not to increase over the life of the Contract.

7. The Company will also deduct an Administrative Expense Charge which is an amount equal on an annual basis to .10% of the daily net assets in the Variable Account. This charge is designed to cover actual administrative expenses which exceed the revenues from the Contract Maintenance Charge. The Company does not intend to profit from this charge. The Company believes that the Administrative Expense Charge and Contract Maintenance Charge have been set at a level that will recover no more than the actual costs associated with administering the Contract. The Company guarantees that the rate of the Administrative Expense Charge will not increase over the life of the Contract.

8. The Contractowner may withdraw his or her Contract value at any time before the earlier of the annuity start date or the Contractowner's or Annuitant's death. No withdrawal Charges will be deducted on amounts up to 10% of the Contract value on the date of the first withdrawal in a Contract year ("Free Withdrawal Amount"). Amounts surrendered in excess of the Free Withdrawal Amount may be subject to a Withdrawal Charge. Free Withdrawal Amounts that are not withdrawn in a Contract Year are not carried over to later Contract Years for purposes of determining the Free Withdrawal Amount in such later years. For purposes of calculating the amount

of the Withdrawal Charge, withdrawals are assumed to come from purchase payments first, beginning with the oldest payment. Withdrawals made after all purchase payments have been withdrawn will not be subject to a Withdrawal Charge.

9. Withdrawal Charges will be applied to purchase payments withdrawn (less any available Free Withdrawal Amount) as set forth below:

Number of complete years since purchase payment being withdrawn was made	Applicable withdrawal charge percentage
0 years	7
1 year	6
2 years	5
3 years	4
4 years	3
5 years	2
6 years	1
7 years or more	0

The Withdrawal Charge may be reduced or waived under circumstances described in the prospectus for the Contracts.

10. Pursuant to the Contracts, the Company deducts a daily Mortality and Expense Risk Charge equal at an annual rate of 1.25% of the assets of each Sub-Account of the Variable Account. The level of this charge is guaranteed not to increase.

Approximately .85% of this charge is allocated to the Company's assumption of mortality risk and approximately .40% to the assumption of expense risk. According to the application, the mortality risk arises from the Company's guarantee to cover all death benefits and to make annuity payments in accordance with the tables contained in the Contracts. The expense risk arises from the possibility that the Contract Maintenance Charge and the Administrative Expense Charge, which are guaranteed not to increase, will be insufficient to cover actual administrative expenses.

11. The Company reserves the right to assess a \$10.00 charge on each transfer among the Sub-Accounts in excess of 12 per Contract year. However, it is currently not assessing such a charge.

12. The Company also reserves the right to deduct state premium taxes or other similar policy-holder taxes relative to the Contract when annuity payments begin or when a total withdrawal occurs.

Applicant's Legal Analysis

1. Section 6(c) of the 1940 Act authorizes the Commission to exempt any person, security or transaction or any class or classes of persons,

securities or transactions from any provisions of the 1940 Act and the rules promulgated thereunder if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

2. Sections 26(a) and 27(c)(2) of the 1940 Act, taken together, provide for the protection of the assets of investment companies that issue periodic payment plan certificates. Section 27(c)(2) of the 1940 Act prohibits the issuer of a periodic payment plan certificate, and any depositor or underwriter for such issuer, from selling such periodic payment plan certificates unless all proceeds of payments (other than sales load) are deposited with a qualified bank acting as trustee or custodian, and held under an indenture or agreement containing specified provisions. Section 26(a) of the 1940 Act requires that such indenture or custodianship agreement provide, among other things, that such bank shall not allow as an expense any payment to the depositor or principal underwriter except a fee, not exceeding such reasonable amount as the Commission may prescribe, for bookkeeping and other administrative services of a character normally performed by the bank itself.

3. Applicants request that an exemption from Sections 26(a)(2)(C) and 27(c)(2) be granted to the extent necessary to allow the Company to deduct the Mortality and Expense Risk Charge described above from the assets of the Variable Account. Applicants further request that such exemption permit the deduction of a mortality and expense risk charge under any Materially Similar Contracts that the Company may issue from the Variable Account or, in the case of Materially Similar Contracts funded through another separate account established by the Company, such other separate account. Finally, Applicants requests that such relief will also be applicable in the event that a registered broker-dealer other than ALFS serves as the principal underwriter for the Contracts or Materially Similar Contracts.

4. Applicants submit that the requested order would promote competitiveness in the variable annuity contract market by eliminating the need for the Company to file redundant exemptive applications, thereby reducing its administrative expenses and maximizing the efficient use of its resources. The delay and expense involved in having repeatedly to seek exemptive relief would impair the Company's ability effectively to take

advantage of business opportunities as these opportunities arise. Applicants further submit that the requested relief is consistent with the purposes of the Act and the protection of investors for the same reasons. Applicants assert that if the Company were required repeatedly to seek exemptive relief with respect to the same issues addressed in this application, investors would not receive any benefit or additional protection thereby.

5. Applicants represent that the mortality risk is assumed by virtue of the annuity rates which cannot be changed after issuance of the Contract and the death benefit guaranteed in the Contract. Also, because the Contract Maintenance Charge and the Administrative Expense Charge will not increase regardless of the actual costs incurred, the Company assumes an expense risk. If the Mortality or Expense Risk Charge is insufficient to cover the actual costs, the Company will bear the loss. To the extent that the charge is in excess of actual costs, the Company, at its discretion, may use the excess to offset losses when the charge is not sufficient to cover expenses.

6. Applicants assert that the Mortality and Expense Risk Charge is reasonable in relation to the risks assumed by the Company under the Contracts, and is consistent with the protection of investors insofar as it is designed to be competitive while not exposing the Company to undue risk of loss. Applicants also represent that the Mortality and Expense Risk Charge is reasonable in amount as determined by industry practice with respect to comparable annuity products. Applicants state that this representation is based on their analysis of publicly available information about similar industry products, taking into consideration such factors as current charge levels, existence of charge level guarantees, and guaranteed annuity rates. The Company will maintain at its home office, available to the Commission, a memorandum setting forth in detail the products analyzed in the course of, and the methodology and results of, the Company's comparative survey. Similarly, prior to relying on the exemptive relief requested herein with respect to any Materially Similar Contracts funded by the Variable Account or other separate account established by the Company, Applicants will determine that the mortality and expense risk charge under such Materially Similar Contracts will be reasonable in relation to the risks assumed by the Company and reasonable in amount as determined by industry practice with respect to

comparable annuity products. The Company will maintain at its home office a memorandum, available to the Commission upon request, setting forth in detail the methodology used in making these determinations.

7. Applicants acknowledge that the Withdrawal Charge may be insufficient to cover all costs relating to the distribution of the Contracts. Applicants also acknowledge that if a profit is realized from the Mortality and Expense Risk Charge, all or a portion of such profit may be viewed as being offset by distribution expenses not reimbursed by the Withdrawal Charge. The Company has concluded, however, that there is a reasonable likelihood that the proposed distribution financing arrangements will benefit the Variable Account and the Contractowners. The basis for such conclusion is set forth in a memorandum which will be maintained by the Company at its administrative offices and will be available to the Commission. Similarly, prior to relying on any exemptive relief granted herein with respect to any Materially Similar Contracts issued by the Variable Account or other separate accounts established by the Company, Applicants will determine that there is a reasonable likelihood that the distribution financing arrangement will benefit the Variable Account (or such other separate account) and its investors. The Company will maintain and make available to the Commission upon request a memorandum setting forth the basis of such determination.

8. The Company represents that the Variable Account (and any other separate account of the Company that relies on the relief sought in this application) will invest only in management investment companies which undertake, in the event such company adopts a plan pursuant to Rule 12b-1 adopted under the 1940 Act to finance distribution expenses, to have their board of directors (or trustees), a majority of whom are not interested persons of such company, formulate and approve any such plan under Rule 12b-1.

Conclusion

Based upon the facts and for the reasons set forth above, Applicants submit that the exemptions requested are necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the 1940 Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95-21700 Filed 8-31-95; 8:45 am]

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[Rel. No. IC-21322; File No. 812-9420]

Great-West Life & Annuity Insurance Company, et al.

August 28, 1995.

AGENCY: Securities and Exchange Commission ("Commission").

ACTION: Notice of application for amendment to order granting exemptions pursuant to the Investment Company Act of 1940 (the "1940 Act").

APPLICANTS: Great-West Life & Annuity Insurance Company (the "Company"), The Great-West Life Assurance Company ("Great-West Life") and FutureFunds Series Account (the "Separate Account").

RELEVANT 1940 ACT SECTIONS: Order requested pursuant to Section 6(c) of the 1940 Act to amend order granting exemptions from the provisions of Sections 26(a) and 27(c)(2) thereof.

SUMMARY OF APPLICATION: Applicants seek an amendment to an order that permits deduction of mortality and expense risk charges from the assets of the Separate Account in connection with the issuance and sale of certain group variable annuity contracts ("Existing Contracts").¹ The amendment will permit the deduction of mortality and expense risk charges from the assets of any other separate account established in the future by the Company ("Future Accounts," together with the Separate Account, "Accounts"), in connection with the issuance of certain group variable annuity contracts that are substantially similar in all material respects to the Existing Contracts ("Future Contracts," together with Existing Contracts, "Contracts").

FILING DATE: The application was filed on January 9, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Secretary of the Commission and serving Applicants with a copy of the request, personally or by mail. Hearing requests must be received by the Commission by 5:30

¹ See *Great-West Life & Annuity Insurance Company, et al.*, Inv. Co. Act Rel. No. 13998 (June 19, 1984) (notice) and Inv. Co. Act. Rel. No. 14038 (July 17, 1984) (order); file no. 812-5818.